

Michael Diekmann, CEO

Prospering in the age of austerity

Merrill Lynch Banking and Insurance Conference
London, September 2010

Allianz 

Agenda

- 1 Allianz at a glance**
- 2 Austerity – the New Normal
- 3 A strong business model
- 4 Summary and outlook

Key figures at a glance¹

EUR **97bn** total revenues¹

EUR **1,139bn** 3rd party AuM²

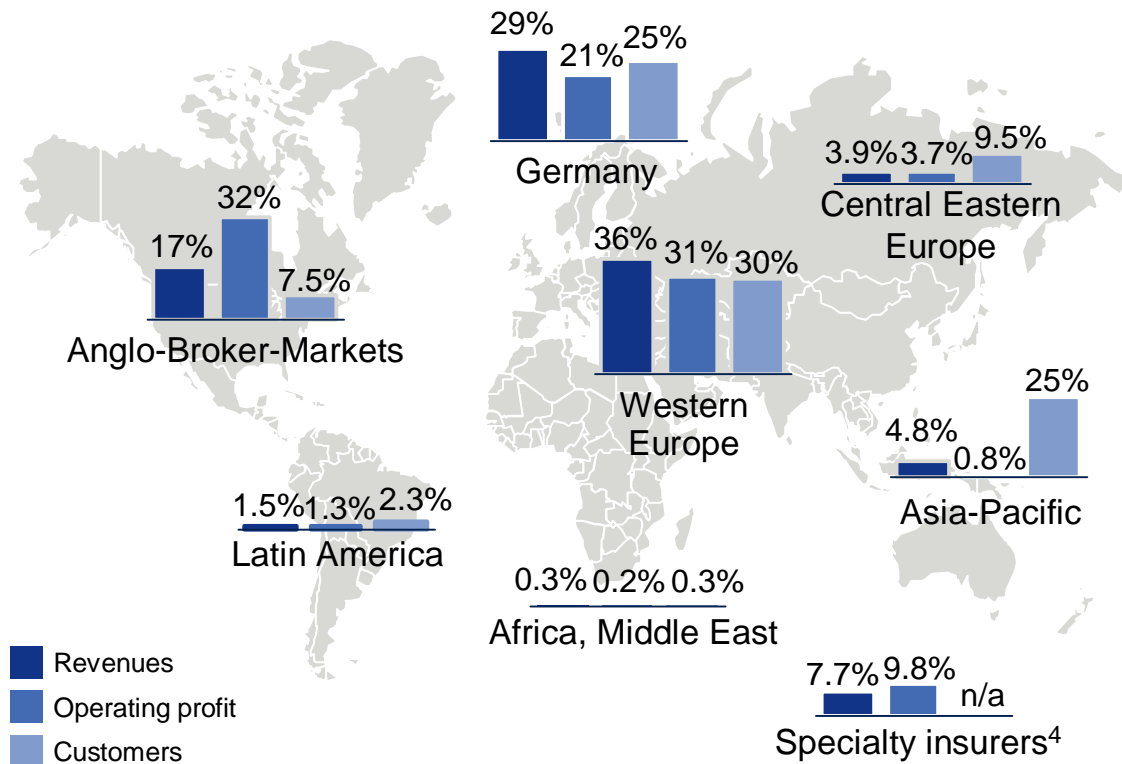
EUR **7.2bn** operating profit¹

170% solvency ratio²

EUR **37bn** market cap²

More than **75mn** customers¹

Split of revenues, operating profit and customers³



1) Figures as per 12/2009
2) 06/2010

3) Including non-consolidated companies
4) Allianz Global Corporate & Specialty, Euler Hermes, Mondial Assistance, ART

World class operations ...

Excellent business positions¹

- § Leading P/C insurer globally
- § Top 5 in Life business globally
- § Top 5 asset manager globally
- § Strong rating (AA, stable outlook)²
- § Largest global assistance provider
- § Worldwide leader in credit insurance
- § One of the leading industrial insurers globally



P I M C O



Global Investors

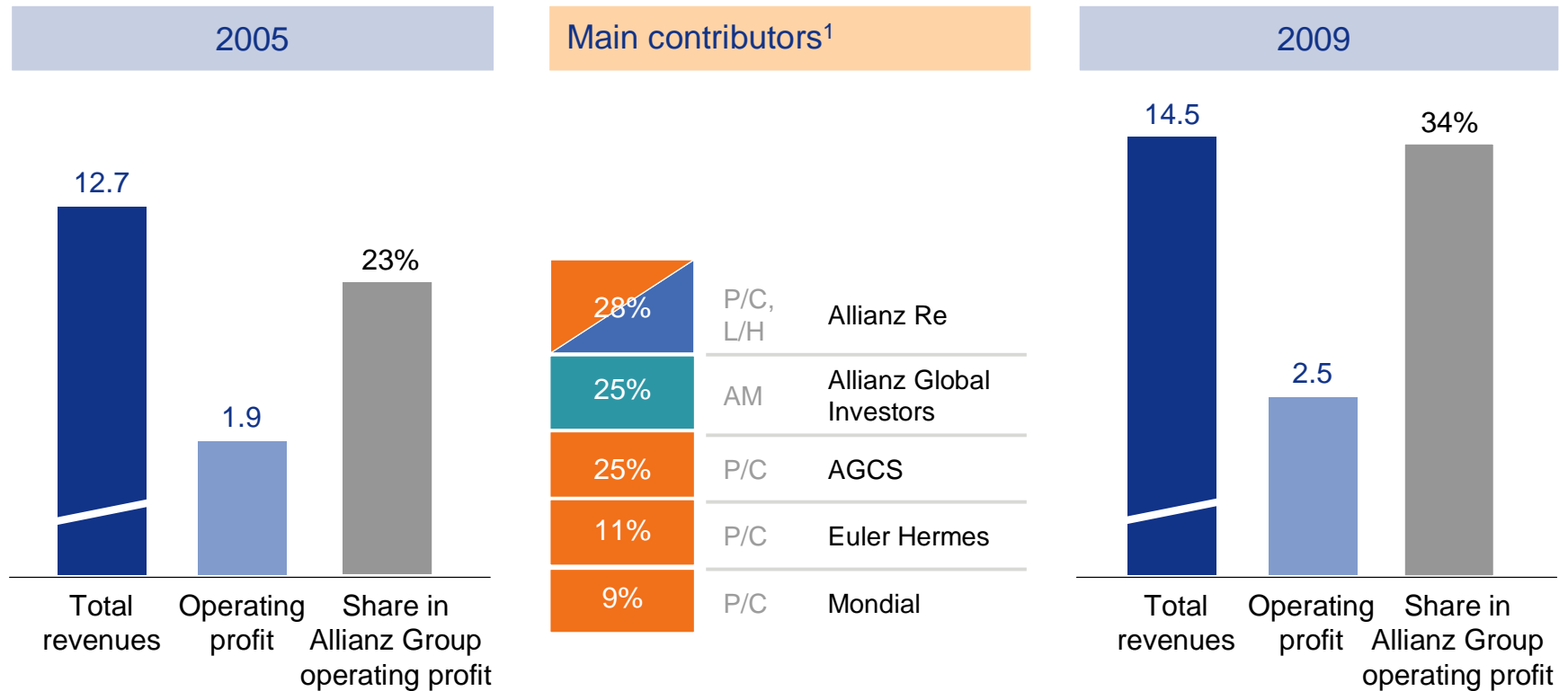


Allianz Global Corporate & Specialty

1) Based on 2009 data

2) According to S&P

... with specifically strong Global Lines (EUR bn)



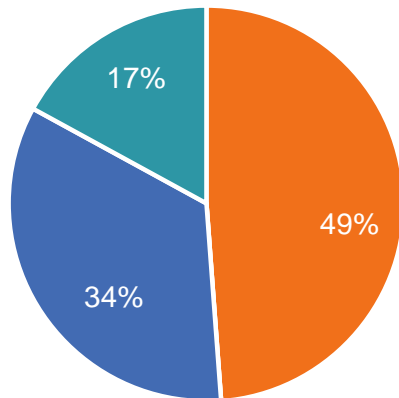
▶ Continuing outperformance of Global Lines expected

1) Share of 2009 Global Lines revenues, including internal business

Well diversified business

Segments¹

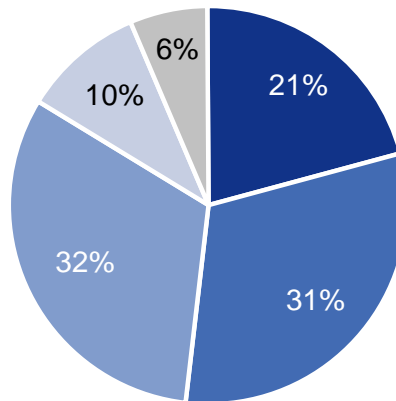
Operating profit in %



- P/C
- L/H
- AM

Regions

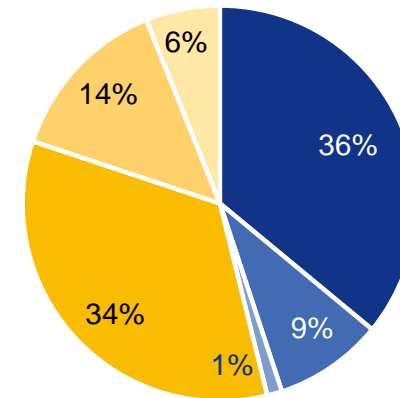
Operating profit in %



- Germany
- Western Europe
- Broker markets US, UK, AUS
- Specialty insurance
- Growth markets

Distribution

Insurance revenues in %



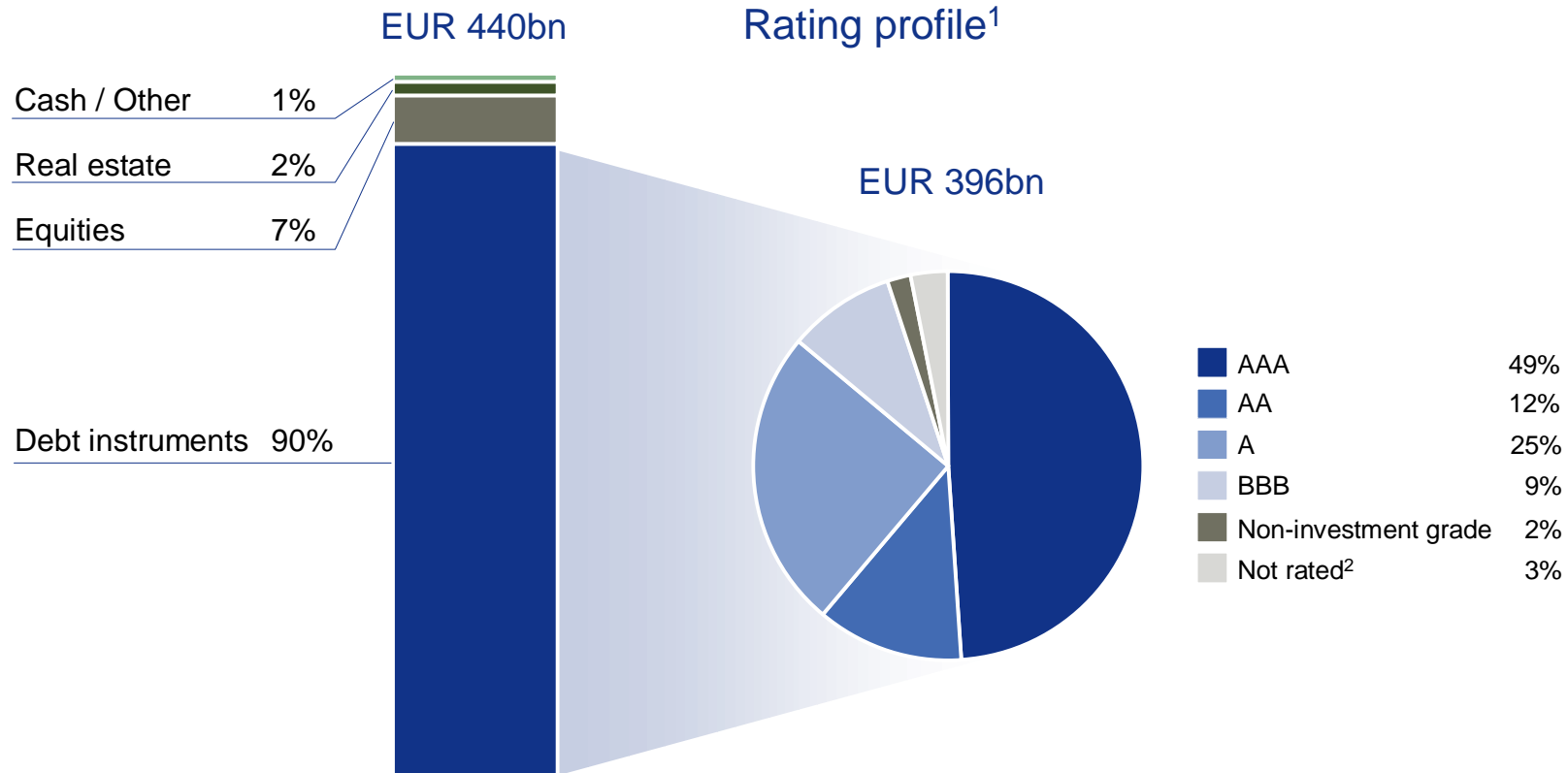
- Tied agents
 - Other prop. networks
 - Direct
 - Brokers and independent IFA
 - Bancassurance
 - Other (thereof car manufacturers 2%)
- Proprietary
- Third party

1) Relation of positive parts of 2009 operating profit

Solid investment portfolio (30.06.2010)

Conservative asset allocation

High quality fixed income portfolio



1) Excluding seasoned self-originated German private retail mortgage loans

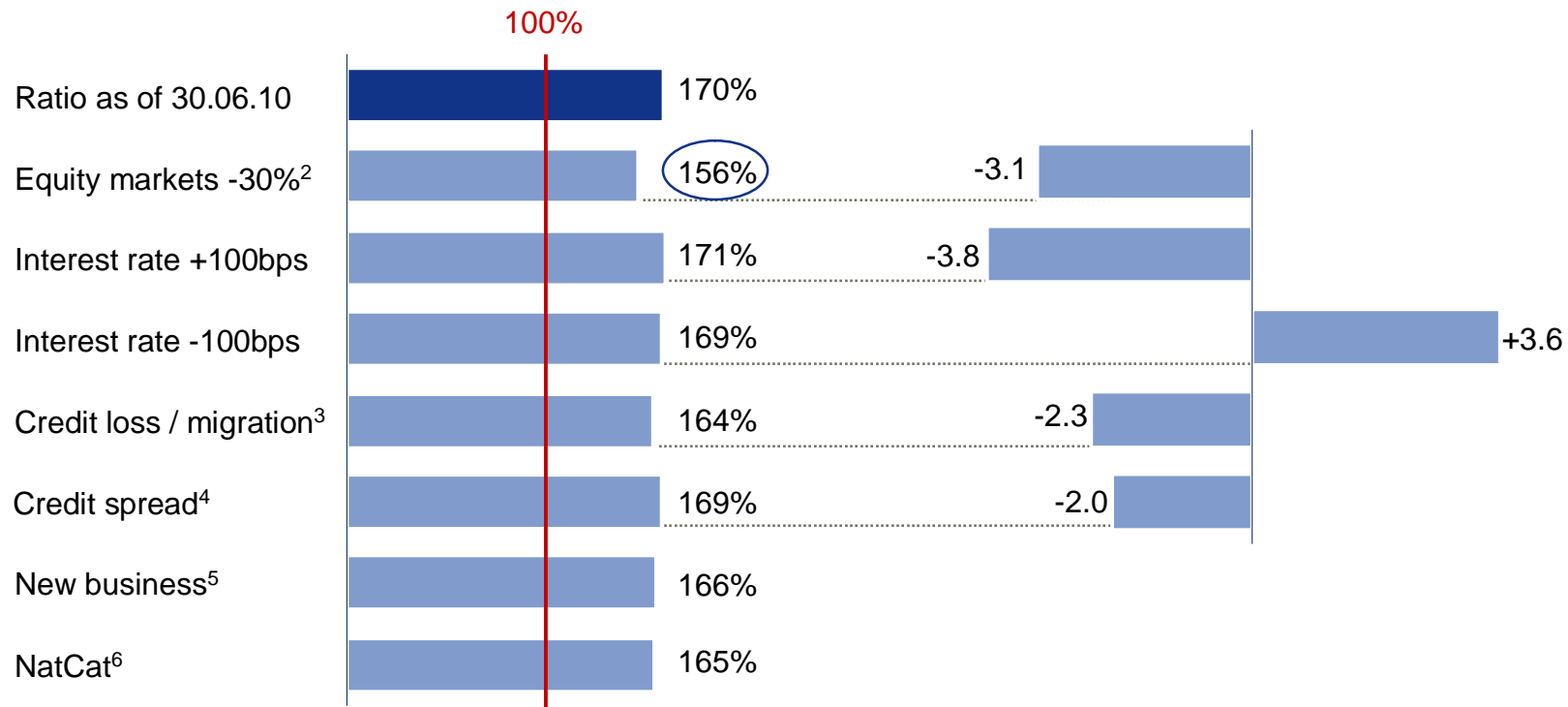
2) Mostly mortgage loans, policyholder loans, registered debentures all of investment grade quality

Well-capitalized to withstand market shocks

Conglomerate solvency ratio¹

Impact on IFRS equity¹

Estimation in EUR bn



1) After non-controlling interests, policyholder participation & tax
 2) After derivatives
 3) Credit loss / migration: scenario based on probabilities of default in 1932, migrations adjusted to mimic recession and assumed recovery rate of 30%
 4) Credit spread: 100bps increase in the credit spreads across all rating classes

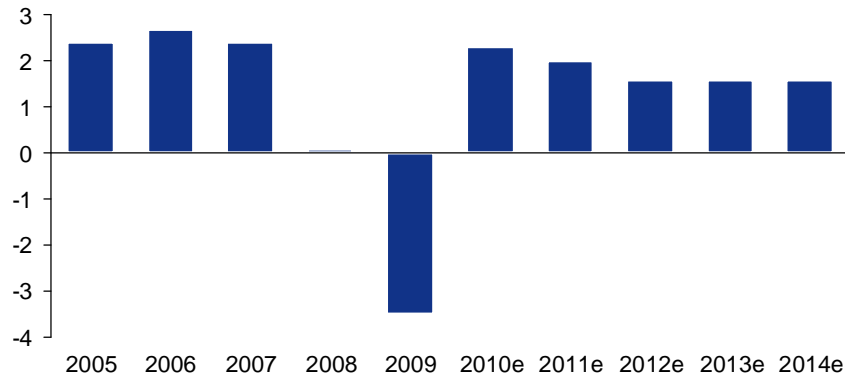
5) New business: new non-recurring business volume increases by 50% which leads to an additional reserve requirement
 6) NatCat: loss due to MiniCat events, both natural and man-made, leading to claims of EUR 1.5bn. Applies to P/C business only

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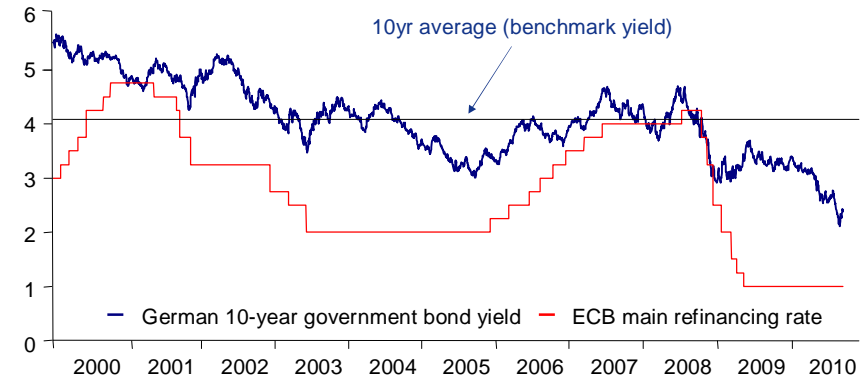
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The New Normal is here to stay, but ...

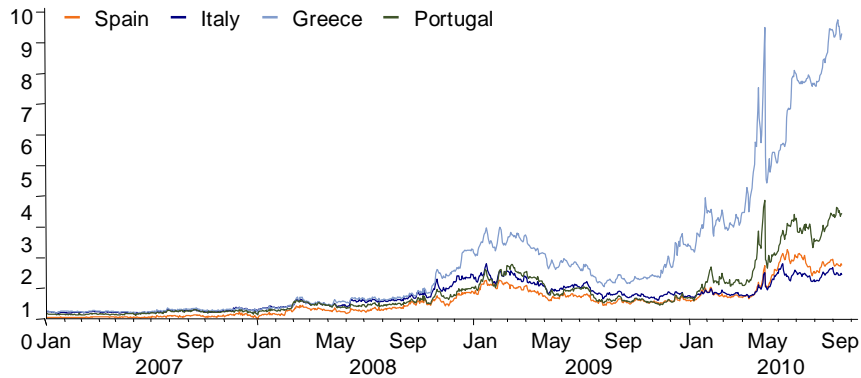
Only moderate economic growth¹
(Industrial countries, real GDP growth, in %)



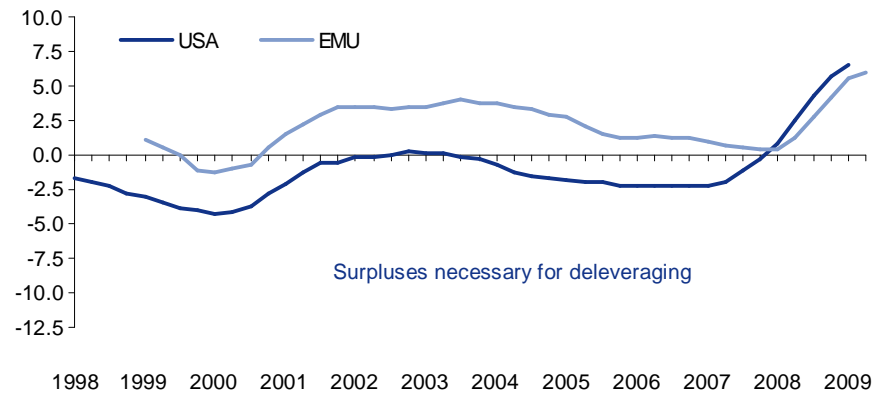
Lower interest rate environment ...



... but higher risk differentiation
(Govt. spreads (over 10yr German gvt bonds), %-points)



Private sector financial balances move sharply
(Four quarter cumulated sum, as % of GDP)



1) Own estimate

... favorable megatrends remain in place

Demography	§ Pensions	Life, Asset Management
	§ Medical support	Health insurance
	§ Long-term care	Assistance
	§ Aging population	P/C + Assistance
Climate change	§ Risk coverage and management	P/C
	§ Investments	Alternative assets
Digitalization	§ Client behavior	Direct access
	§ New products	E.g. motor: pay-per-use
	§ Cost reduction	Economies of scale

... favorable megatrends remain in place

Demography	<ul style="list-style-type: none">§ Pensions§ Medical support§ Long-term care§ Aging population	<ul style="list-style-type: none">Life, Asset ManagementHealth insuranceAssistanceP/C + Assistance
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Post crisis environment challenging, but not without opportunities

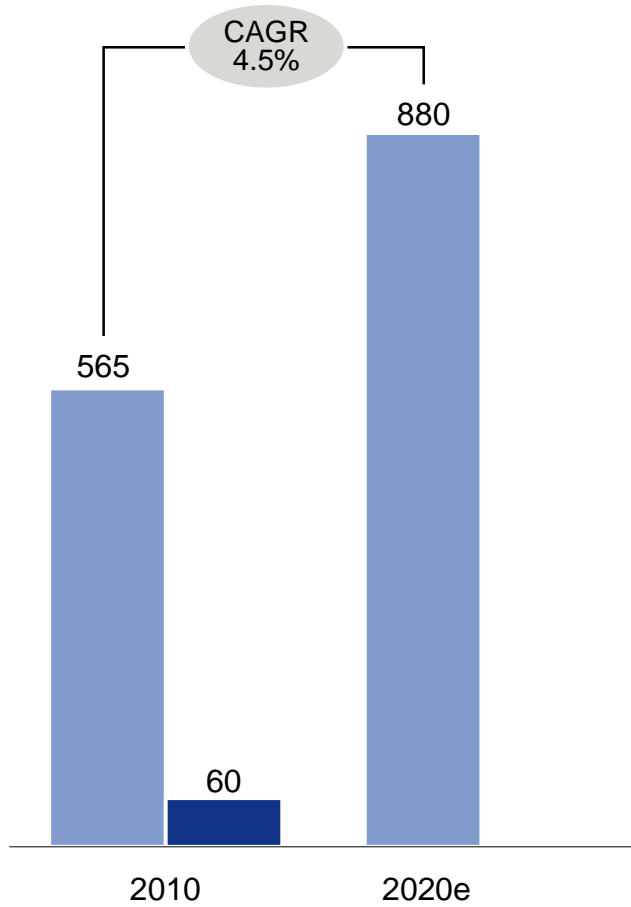
Impact on insurance industry	Megatrends <ul style="list-style-type: none"> § Demography § Climate change § Digitalization 	Regulation & rating <ul style="list-style-type: none"> § Solvency II § Consumer protection § Rating capital requirements 	New Normal <ul style="list-style-type: none"> § Austerity / higher taxes § Moderate growth § Low interest rates § Market volatility § Economic uncertainties, e.g. PIGS § Inflation (?) 	Industry issues <ul style="list-style-type: none"> § Insurance cycle § Technical pricing, e.g. for NatCat § Channel evolution and conflicts § Funding and liquidity § Exploitation of growth markets § New competitors
Positive	<ul style="list-style-type: none"> § Growth opportunities § Potential efficiency improvements 	<ul style="list-style-type: none"> § “Better” capital 	<ul style="list-style-type: none"> § Consolidation opportunity 	<ul style="list-style-type: none"> § Volume effects after turning of cycle
Pending	<ul style="list-style-type: none"> § Evolution of Direct 	<ul style="list-style-type: none"> § Level of capital requirements and volatility of ratios 	<ul style="list-style-type: none"> § Fiscal discipline § EU governance 	<ul style="list-style-type: none"> § Regulatory restrictions in India and China
Negative	<ul style="list-style-type: none"> § NatCat claims 	<ul style="list-style-type: none"> § Tighter regulation 	<ul style="list-style-type: none"> § Lower growth and investment income 	<ul style="list-style-type: none"> § More competitive pressure on commodities

Post crisis environment challenging, but not without opportunities

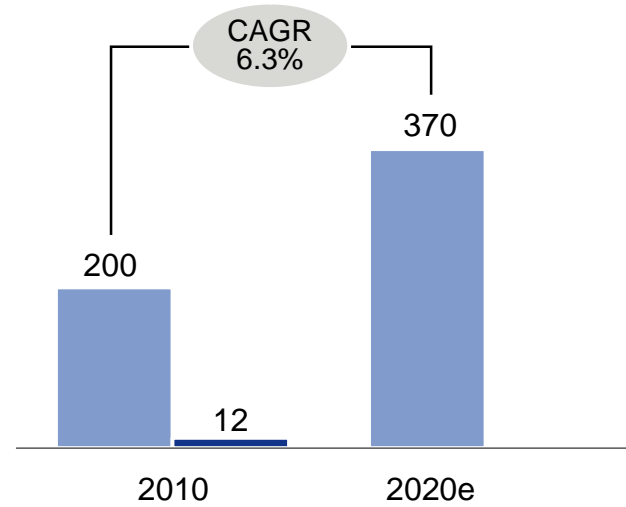


Demography: expanding middle class provides growth opportunities

Worldwide (people in mn)



BRIC (people in mn)

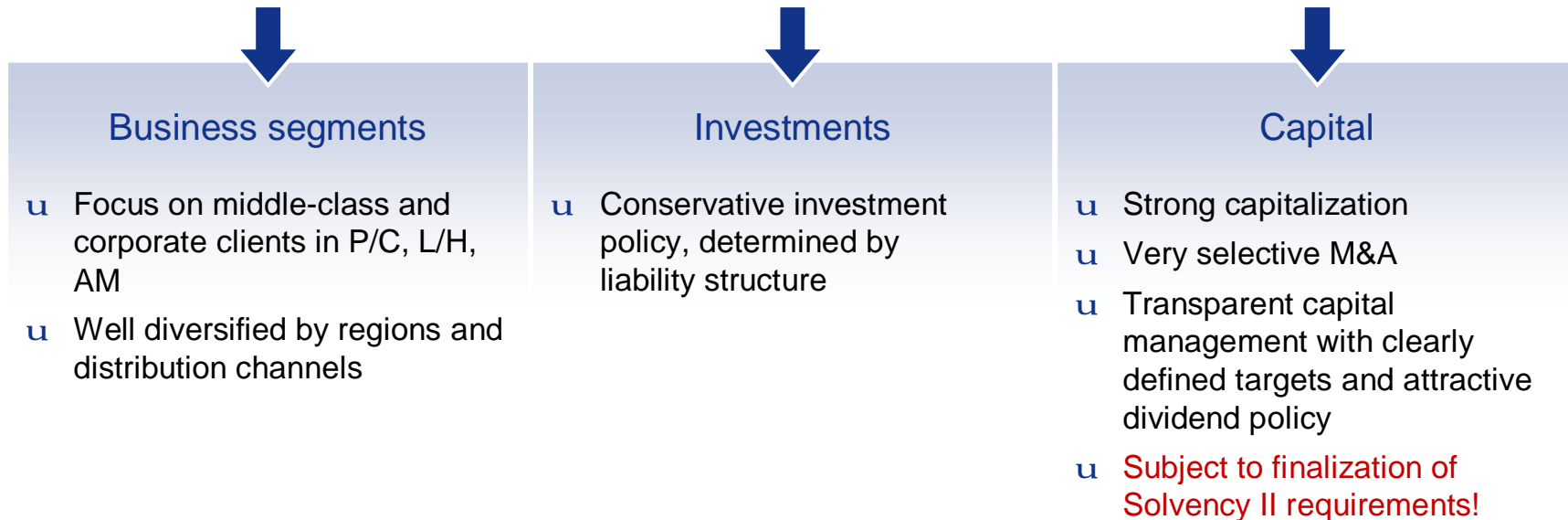


- Members of middle class worldwide
- Allianz' middle and high income class customers

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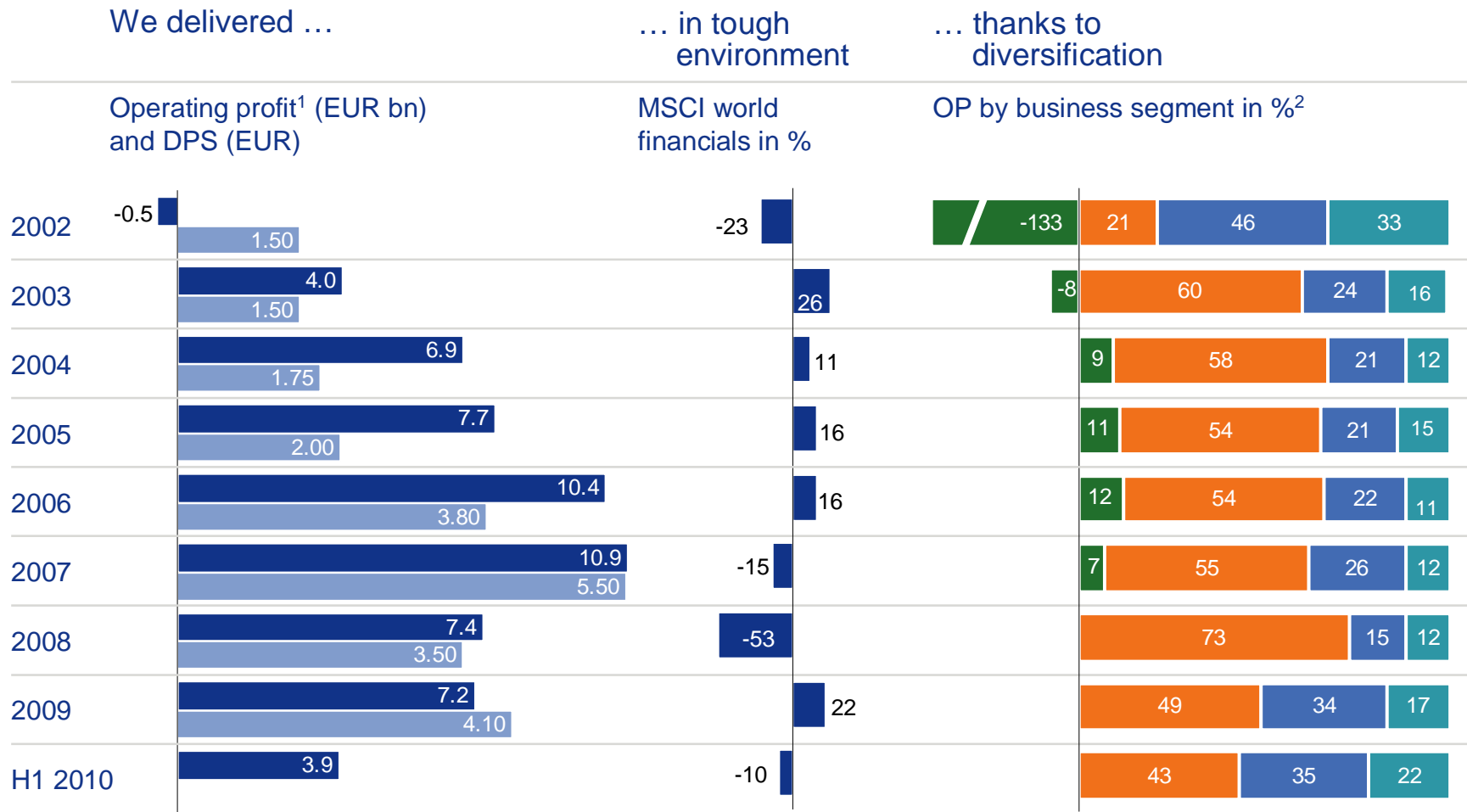
Proven strategy ...



Priorities (“3+One”):

- 1 Protect and enhance capital base
- 2 Strengthen operating profitability
- 3 Reduce complexity
- + One Increase sustainable competitiveness and shareholder value

... delivered results ...



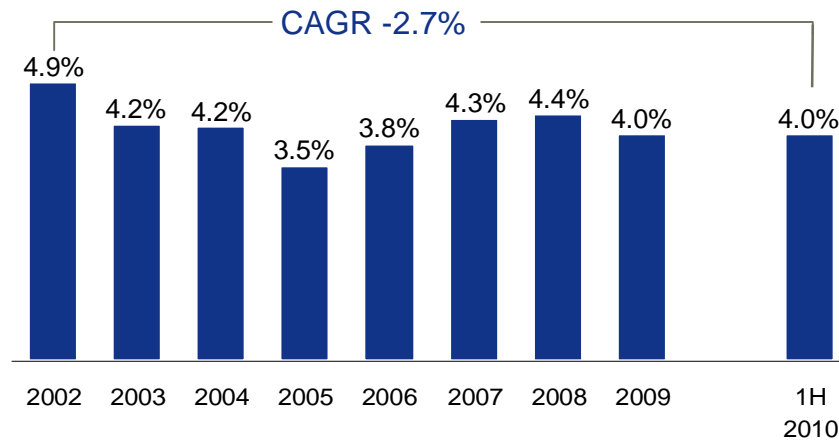
1) Historical reported figures
2) Based on historical reported figures excluding Corporate segment

Operating profit
Dividend per share

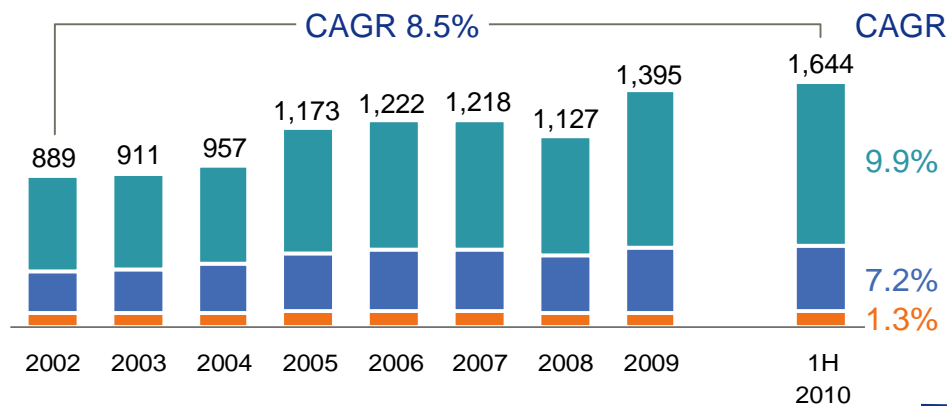
Bank P/C L/H AM

... supported by a growing asset base

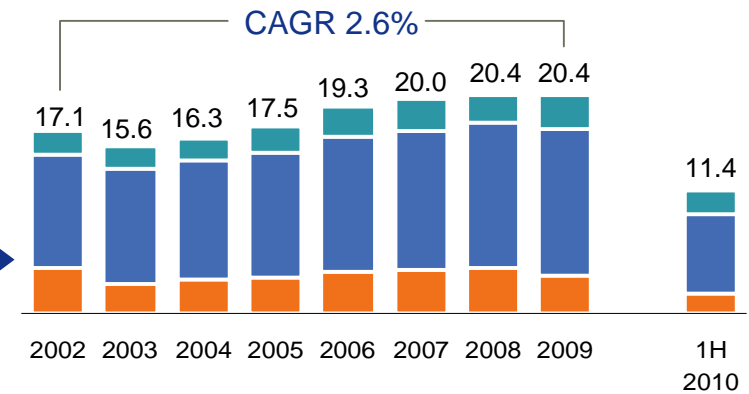
Euro government yield¹ (%)



Operating asset base² (EUR bn)



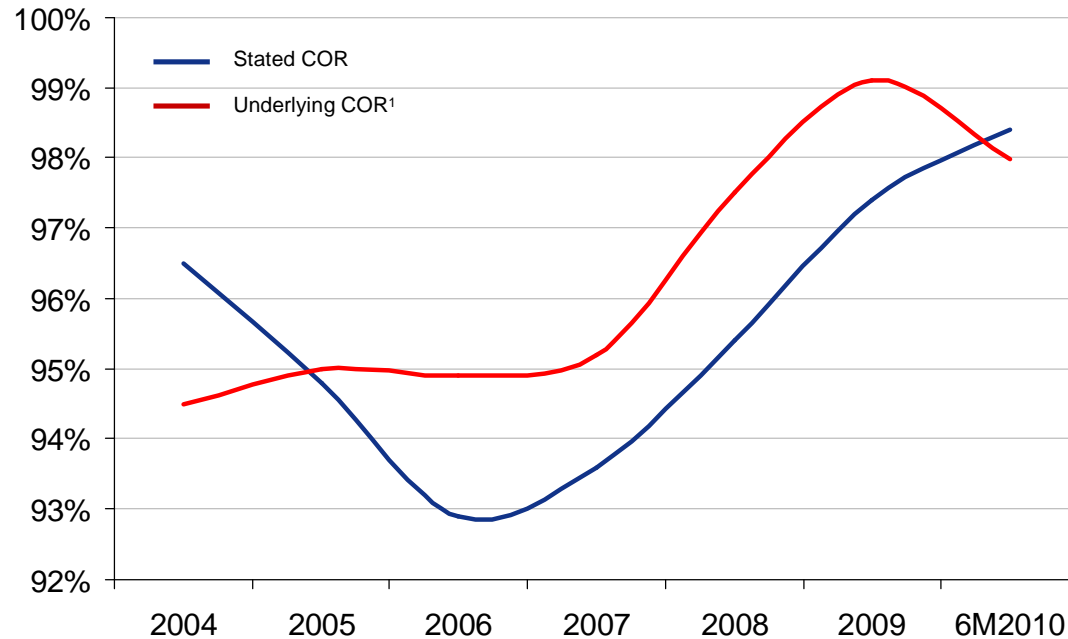
Interest and similar income plus AM fee and commission income³ (EUR bn)



1) 12m average Eurozone government benchmarks, bid, 10Y yield
 2) Investments for P/C and L/H; third party assets for AM incl. unit-linked assets
 3) AM: excluding performance fees; L/H: before policyholder participation

P/C: underlying combined ratio peaked ...

Group combined ratio

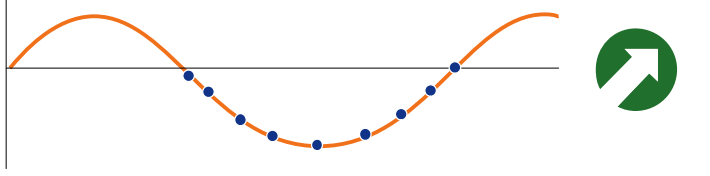
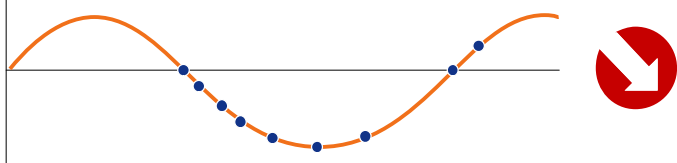
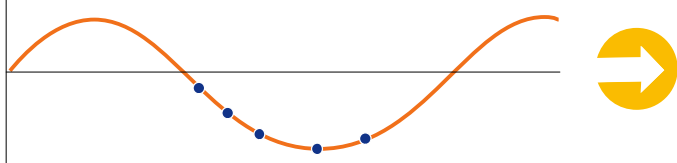


Reasons for improvement

- § 2010 with highest 6M NatCat level of past 10 years
- § Recession related claims set to recede
- § Gradually improving prices not yet fully reflected
- § Cycle management (e.g. Italy, AGCS, Credit) slowing growth only temporarily
- § Continued reinsurance optimization
- § Expense savings from European shared services

1) Underlying COR represents accident year COR excluding NatCat

... but pricing cycle requires selective underwriting

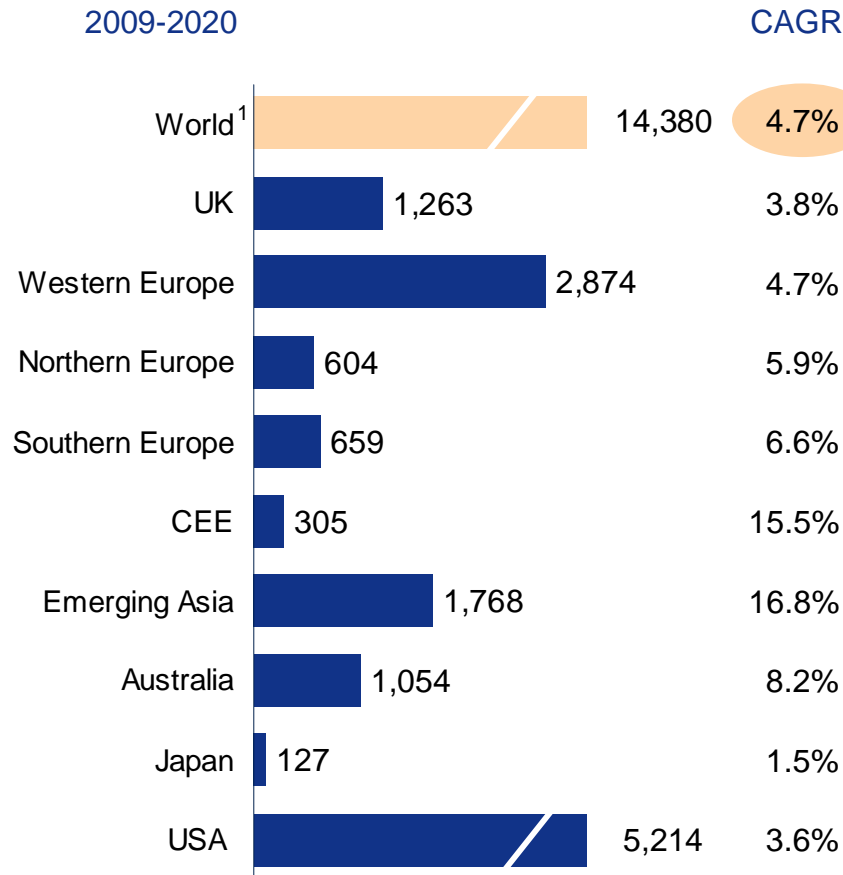
Market conditions ¹	Assessment	Allianz' focus
<p>Motor</p> 	<ul style="list-style-type: none"> § Price momentum gradually improving § Intense competition, especially from mutuals 	<ul style="list-style-type: none"> § Pruning and fleet cleaning § Claims steering § Discount steering § Prudent re-underwriting at improved price § Underwriting discipline
<p>Non-Motor</p> 	<ul style="list-style-type: none"> § Pricing insufficient especially for NatCat 	
<p>Mid-Corp.</p> 	<ul style="list-style-type: none"> § Some hardening driven by large claims 	

▶ Challenging underwriting conditions allow only selective growth

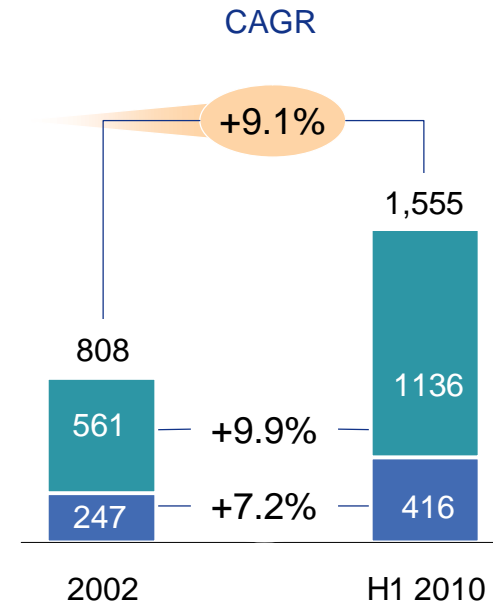
1) Bullets represent Allianz OE's position within pricing cycle

L/H: excellent position to further benefit from pension opportunity ...

Expected increase in pension AuM (EUR bn)



Allianz AuM L/H + AM (EUR bn)

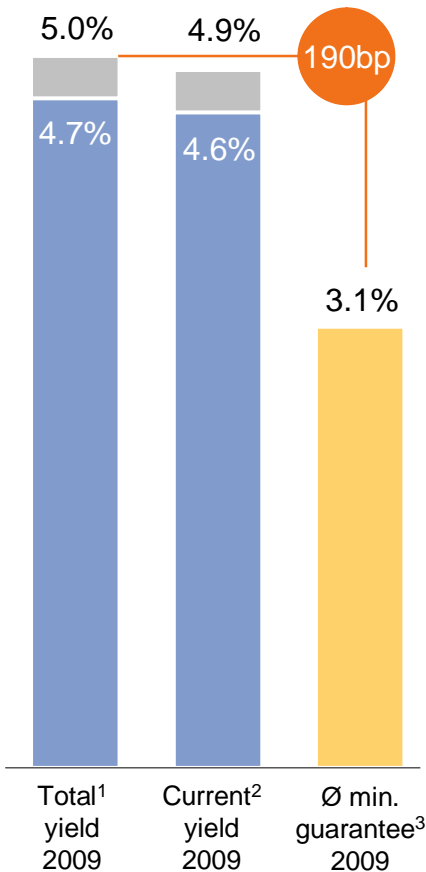


- § Strong market position in all major continental European countries and the US
- § Strong brand and rating
- § Well diversified product portfolio

1) Including others
Source: AGI, International Pensions

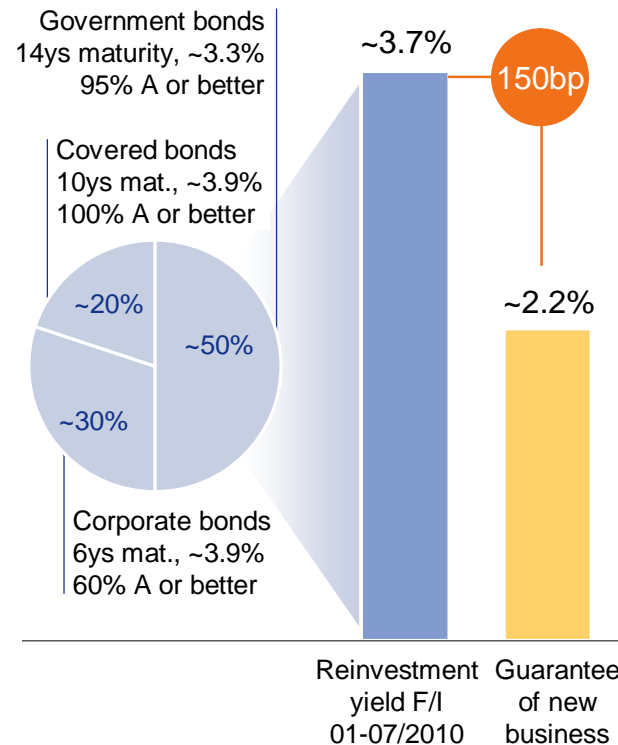
... and spreads are still comfortable despite low interest rates

Business in force



■ Based on aggregate policy reserves
 ■ Based on book value of assets

New business



2009

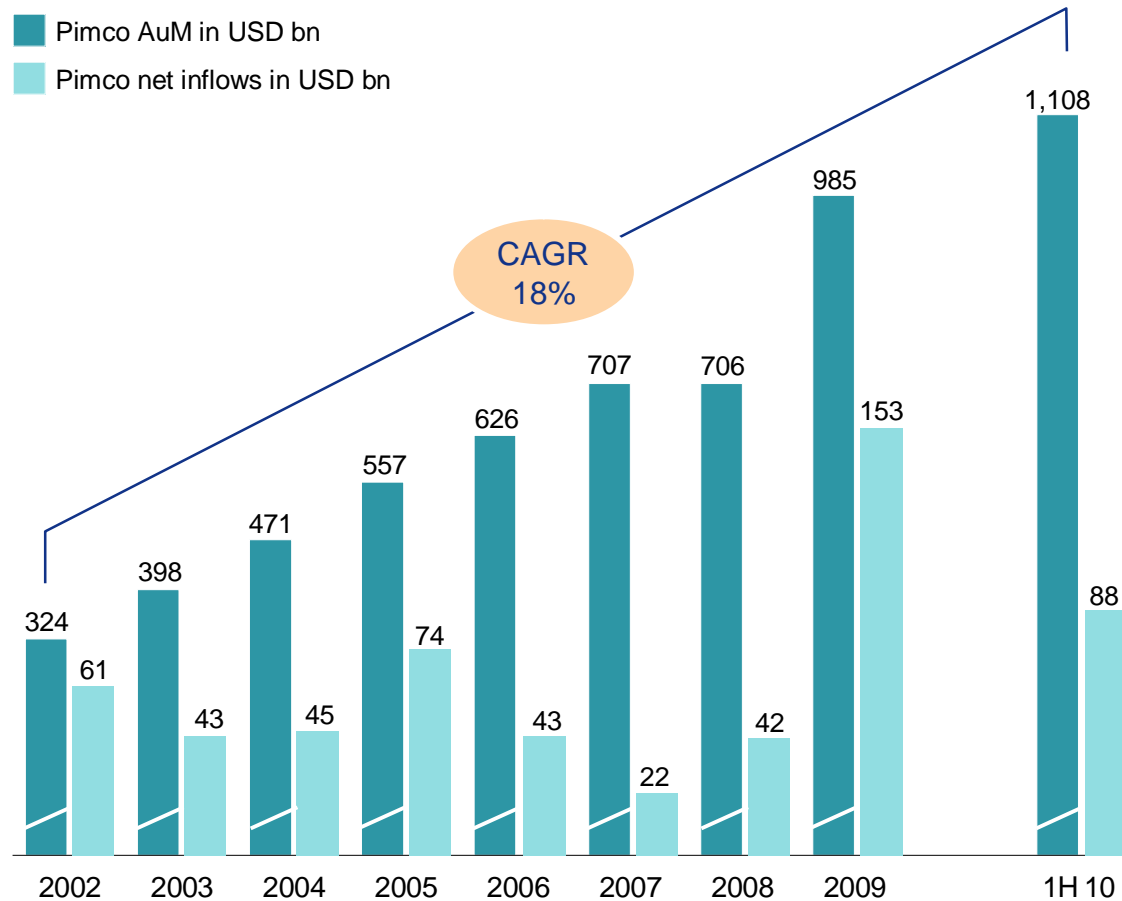
- § 190bp investment spread above minimum guarantees
- § Conservative portfolio⁴
 - 30% government bonds
 - 30% covered bonds
 - 25% corporate bonds
 - 7% equity
 - 8% real estate, cash and other
- 6.1ys duration
- § Operating profit growth 9.4% (5yr CAGR)
- § Other income sources: underwriting and expense result (~60bp)
- § Additional buffer: EUR 15.2bn RfB (5.4% of technical reserves)
- § Net unrealized gains of EUR 11.0bn (3.7% of total assets)
- § Strong new business accelerates decline of Ø min. guarantee

Germany

- § New business guarantee currently under review
- § Reinvestment yield of 1.5% sufficient to pay all guarantees

1) Based on IFRS investment result
 2) Based on IFRS current interest and similar income
 3) Weighted by aggregate policy reserves
 4) 07/2010

AM: continuing success story driven by Pimco ...



§ With USD 1.1tn AuM one of the leading fixed income managers worldwide

§ Superior investment performance: 92% in 1H 10¹

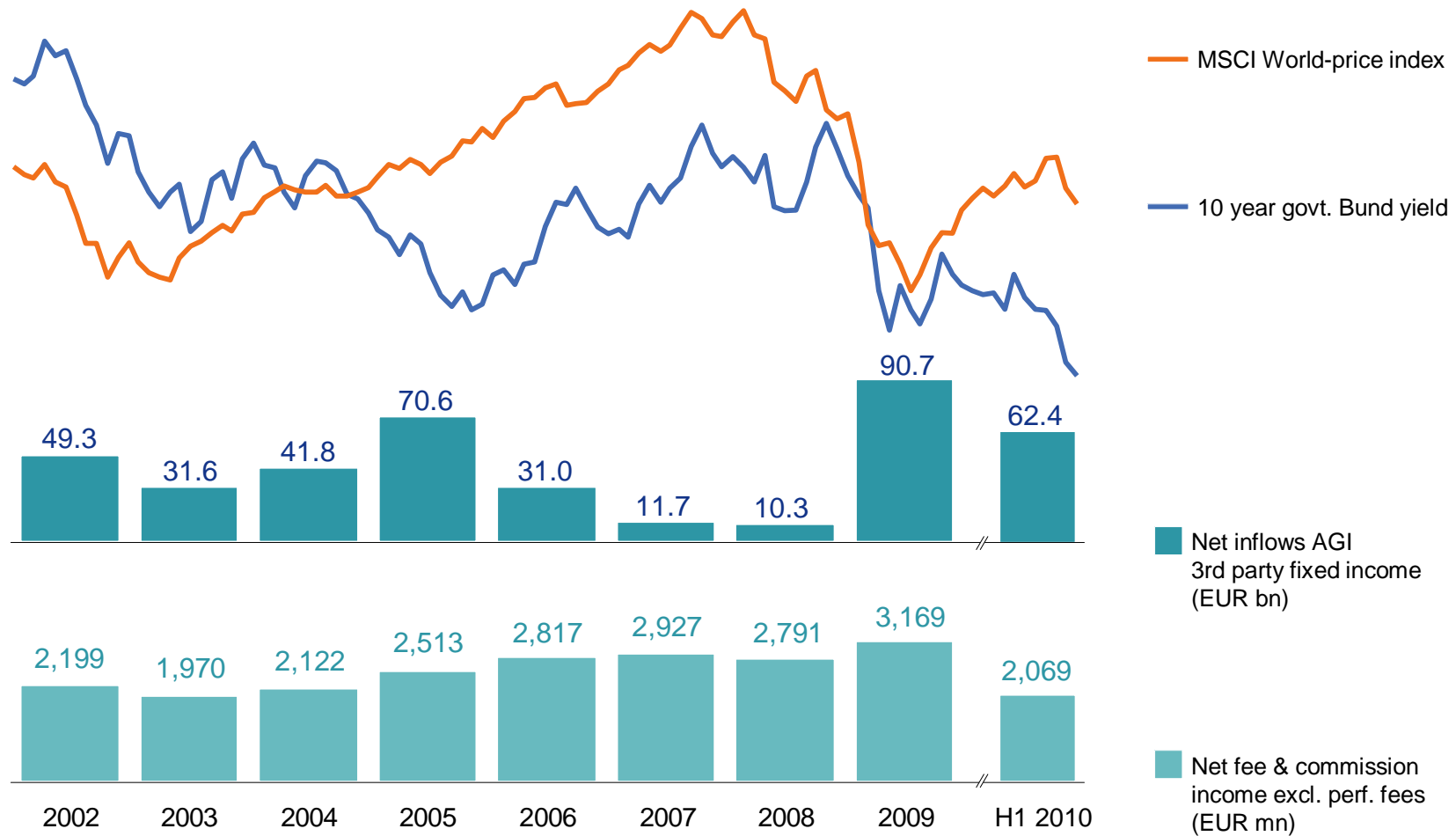
§ Net flows since 2002 more than USD 550bn

§ Other segments benefit from Pimco's fixed income management for Allianz Group

▶ Record AuM growth + record level of net flows in 2009

1) 3-year-rolling performance

... with net fixed income inflows even in times of rising interest rates



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Allianz well prepared for the post crisis environment

Megatrends

Demography

- Pensions
- Medical support
- Long-term care
- Aging population

Climate change

- Risk coverage and management
- Investments

Digitalization

- Client behavior
- New products
- Cost reduction

New normal

- Moderate growth
- Low interest rates
- Market volatility
- Economic uncertainties (PIGS)
- Inflation (?)
- More regulation
- Higher taxes
- Adjusted capital requirements

What matters

- Æ Capital strength
- Æ Rating and brand
- Æ Scale
- Æ Diversified and high quality investment portfolio
- Æ Geographical and segmental diversification

EUR 7.2 bn¹ operating profit expected in 2010 despite exceptionally high NatCat in H1

Operating profit (EUR bn)

	H1 2010	Outlook published 02/10	H1 2010
P/C	1.9	4.0-5.0	§ -0.1% revenue growth ³ § CR 98.4%
L/H	1.5	2.2-2.8	§ 16.8% revenue growth ³ § EUR 5.7bn net inflows
AM	1.0	1.1-1.3	§ EUR 60bn net inflows § CIR 57.4%
Co	-0.5	-0.9 – -1.1	§ As expected
Total	3.9	6.7 7.2 7.7	§ Please mind the seasonality of the business and our disclaimer ² !

1) Expected range plus / minus EUR 0.5 bn.
 2) Disclaimer: Impact from NatCat, financial markets and global economic development not predictable!
 3) Internal growth

Key take-aways

- ➔ Strong capital base
- ➔ Conservative investment portfolio
- ➔ Resilient business model
- ➔ Earnings supported by diversification and asset growth
- ➔ Well positioned for New Normal and Megatrends
- ➔ 2010 operating profit outlook on track

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